

ESTTA Tracking number: **ESTTA362537**

Filing date: **08/11/2010**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91150278
Party	Defendant Franklin Loufrani
Correspondence Address	STEVEN L. BARON MANDELL MENKES LLC 333 WEST WACKER DRIVE, SUITE 300 CHICAGO, IL 60606 UNITED STATES sbaron@mandellmenkes.com
Submission	Other Motions/Papers
Filer's Name	Natalie A. Harris
Filer's e-mail	nharris@mandellmenkes.com, sbaron@mandellmenkes.com
Signature	/NAH/
Date	08/11/2010
Attachments	Supplemental Status Report.pdf ( 33 pages )(953592 bytes )

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

WAL-MART STORES, INC.	)	
Opposer.	)	OPPOSITION NO. 91/150,278
v.	)	OPPOSITION NO. 91/154,632
FRANKLIN LOUFRANI	)	Trademark:
Applicant.	)	SMILEY & Design Serial No. 75/302,439
FRANKLIN LOUFRANI	)	SMILEY & Design Serial No. 75/977,376
Opposer.	)	OPPOSITION NO. 91/152,145
v.	)	Trademark:
WAL-MART STORES, INC.	)	Smiley Design Serial No. 76/320,901
Applicant.	)	

**FRANKLIN LOUFRANI AND THE SMILEY COMPANY SPRL'S  
SUPPLEMENTAL STATUS REPORT**

Franklin Loufrani and The Smiley Company SPRL<sup>1</sup>, by their attorneys, Steven L. Baron and Natalie A. Harris of Mandell Menkes LLC, supplement Walmart Stores Inc.'s ("Wal-Mart") August 3, 2010 response to the Trademark Trial and Appeal Board's (the "Board") July 23, 2010 Order ("Wal-Mart Status Report") as follows:

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<sup>1</sup> On December 18, 2008 the USPTO recorded the June 22, 2008 assignment of Mr. Loufrani's intent-to-use application Nos. 75302439 and 75977376 to The Smiley Company SPRL, a Belgian company. Mr. Loufrani and The Smiley company SPRL shall be referred to collectively as "Loufrani".

### **Withdrawal Of Premature Registration For Wal-Mart's Application Serial No. 76/320,901**

As a threshold matter, Loufrani asserts that the Board's premature termination of the above-referenced proceedings on June 3, 2009 should be vacated and the subsequent premature registration of Wal-Mart's application Serial No. 76/320,901 ("Wal-Mart's application") on July 7, 2009<sup>2</sup> should be withdrawn.

The June 3, 2009 termination of the above-referenced proceedings was premature because the consolidated Oppositions have not been finally determined. Pursuant to TBMP §806, an *inter parties* proceeding before the Board is finally determined "when the time for filing an appeal from a decision of the Board determining the case has expired, and no appeal has been file, or when any appeals filed have been determined." Termination of the proceedings and giving effect to the judgment are appropriate only *after* the Board's decision is final. *See id.*

In this matter, the Board's decision was issued on March 20, 2009. Pursuant to 37 CFR §2.145(d), Loufrani had two months from the date of that decision (i.e. May 20, 2009) to (1) take an appeal to the U.S. Court of Appeals for the Federal Circuit or (2) commence a civil action seeking review of the Board's decision pursuant to §21(b) of the Lanham Act, 15 U.S.C. § 1071(b) ("§21(b) Civil Action"). Loufrani timely commenced a §21(b) Civil Action, styled *Franklin Loufrani and The Smiley Company SPRL v. Wal-Mart Stores, Inc.*, Case No. 09-cv-3062, filed in the United States District Court for the Northern District of Illinois on May 20, 2009 in accordance with 37 CFR §2.145(d). As set forth in more detail herein and in Wal-Mart's Status Report, Loufrani's §21(b) Civil Action remains pending and as a result, the Board's March 20, 2009 decision is not final.

Furthermore, a party appealing the Board's decision has one month after the expiration of the time to file an appeal to file written notice of that appeal with the Board. 37 CFR §2.14(c)(4) and TBMP §§806, 903.01. The TBMP cautions that "[i]f a party files a civil action, but fails to notify the

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<sup>2</sup> A copy of registration no. 3,649,099 is attached hereto as Ex. A.

Board, the Board, believing that its decision has become final, will terminate the proceeding. As a result, a registration may be issued or cancelled prematurely, while the civil action seeking review of the Board's decision is still pending." TBMP §806. In addition, "if the Board is unaware of the commencement of the civil action, it will treat the Board's decision as governing further proceedings in the case, and will take steps, based on the judgment entered in that decision, to close out the proceeding file and give effect to the judgment." TBMP §903.01.

In this matter, the deadline for Loufrani to file notice of the §21(b) Civil Action with the Board was June 20, 2009, i.e. one month after the appeal deadline. Loufrani timely filed a notice of the §21(b) Civil Action with the Board on June 15, 2009. A copy of the notice is attached hereto as Ex. B. However, for reasons that are unclear from the record, the Board apparently inadvertently terminated the proceedings prematurely on June 3, 2009, seventeen days prior to Loufrani's notice filing deadline. In other words, despite Loufrani's timely filing of its notice of the §21(b) Civil Action with the Board, the Board erroneously proceeded as if no appeal was filed at all and, mistakenly believing that the March 20, 2009 decision had become final, terminated the proceedings.

The premature termination of proceedings also resulted in premature registration of Wal-Mart's proposed mark. Wal-Mart's application was mistakenly prepared for registration pursuant to 37 CFR § 2.81(a) following the Board's premature termination of proceedings, and premature registration no. 3,649,099 issued on July 7, 2009. Registration of Wal-Mart's mark while Loufrani's § 21(b) Civil Action remains pending is improper and prejudicial. *See e.g. Citi Traffic Corp. v. Metro Traffic Control Inc.*, 39 USPQ 2d 1856, 1858 (E.D. Penn. 1996) (suggesting that no action should be taken affecting issue on appeal from Board decision during pendency of appellate review). Accordingly, Loufrani requests that the Board cause Wal-Mart's registration no. 3,649,099 to be withdrawn and vacate the June 3, 2009 termination of proceedings pending the outcome of Loufrani's § 21(b) Civil Appeal.

### **§ 21(b) Civil Action Discovery And Settlement Status Supplement**

Loufrani agrees that the procedural recitation set forth in Wal-Mart's Status Report is largely complete and accurate. However, Loufrani wishes to clarify and update the record with respect to the § 21(b) Civil Action case management schedule, Loufrani's Motion to Compel filed May 14, 2010 and ongoing settlement negotiations.

#### **Civil Action Case Management Schedule**

The current scheduling order referenced in Wal-Mart's Status Report was entered on April 14, 2010. A copy is attached hereto as Ex. C. However, prior to the May 19, 2010 court appearance, counsel for Loufrani and Wal-Mart agreed to jointly request an extension of the current schedule to permit both parties sufficient time to complete written and oral discovery. The Court's referral of the case to the Magistrate Judge for settlement conference and corresponding discovery stay temporarily rendered the parties' need to request an extension of the scheduling order moot. In the event that the parties are unable to resolve the § 21(b) Civil Action in connection with the ongoing settlement negotiations, Loufrani will request (presumably with Wal-Mart's agreement) that the Court reasonably extend the schedule set forth in the April 14, 2010 order to allow sufficient time to complete fact discovery and file appropriate dispositive motions.

#### **Loufrani's Motion To Compel Discovery**

Loufrani filed its May 14, 2010 Motion to Compel following months of unsuccessful attempts to procure from Wal-Mart (1) responses to requests for the identification of fact witnesses and corporate representatives for deposition (2) documents in Wal-mart's possession created by the advertising agency responsible for developing and implementing Wal-mart's proposed mark and (3) responses to requests for the identification of certain key facts relevant to the secondary meaning issue identified in the Board's March 20, 2009 decision. Contrary to the statements set forth in Wal-Mart's Status Report, Loufrani's Motion to Compel is not based on a dispute between the parties

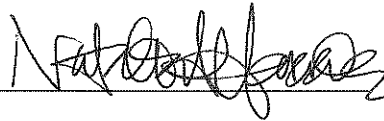
regarding the scope of permissible discovery in connection with a § 21(b) Civil Action. Furthermore, the Court has not substantively ruled on Loufrani's Motion to Compel. The Court simply denied Loufrani's Motion to Compel without prejudice while the parties pursue settlement. If the parties are unable to resolve the § 21(b) Civil Action in connection with the ongoing settlement negotiations, Loufrani intends to present the Motion to Compel to the Court for consideration on the merits.

**Ongoing Settlement Negotiations**

As set forth in Wal-Mart's Status Report, the parties' engaged in a settlement conference on July 19, 2010 before Magistrate Judge Finnegan. The settlement conference was scheduled to reconvene on August 13, 2010. However, Wal-Mart recently requested that the date be rescheduled. Accordingly, the parties anticipate rescheduling the continued settlement conference in late August or early September.

Respectfully submitted,

**FRANKLIN LOUFRANI and  
THE SMILEY COMPANY SPRL**

By: 

Steven L. Baron  
Natalie A. Harris  
MANDELL MENKES LLC  
333 West Wacker Drive, Suite 300  
Chicago, Illinois 60606  
(312) 251-1000 (phone)  
(312) 251-1010 (fax)  
Counsel for Franklin Loufrani

**CERTIFICATE OF SERVICE**

The undersigned, an attorney, hereby certifies that I caused this *Supplemental Status Report* to be served on:

Mr. Gary J. Rinkerman  
Drinker Biddle  
1500 K Street, N.W.  
Washington, DC 20005-1209

and

Robert E. Shapiro  
Wendi E. Sloane  
Rebecca D. Ray  
Barack Ferrazzano Kirschbaum & Nagelberg LLP  
200 West Madison, Suite 3900  
Chicago, Illinois 60606

via First Class Mail, postage prepaid and properly addressed and placed in the mail chute at 333 West Wacker Drive, Chicago, Illinois 60606 before the hour of 5:00 p.m. on August 11, 2010.

  
\_\_\_\_\_  
Natalie A. Harris

Int. Cl.: 35

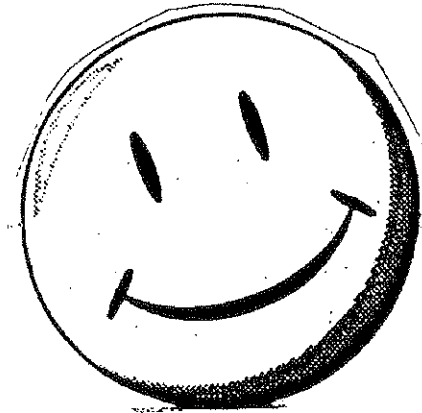
Prior U.S. Cls.: 100, 101 and 102

**United States Patent and Trademark Office**

Reg. No. 3,649,099

Registered July 7, 2009

**SERVICE MARK  
PRINCIPAL REGISTER**



WAL-MART STORES, INC. (DELAWARE CORPORATION)  
702 SW 8TH STREET  
BENTONVILLE, AR 727168095

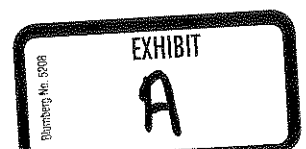
THE SERVICE MARK CONSISTS OF A YELLOW CIRCLE WITH TWO EYES AND A SMILING SHAPED MOUTH. COLOR IS INTEGRAL TO THE MARK.

FOR: RETAIL DEPARTMENT STORE SERVICES,  
IN CLASS 35 (U.S. CLS. 100, 101 AND 102).

SER. NO. 76-320,901, FILED 10-3-2001.

FIRST USE 1-31-1996; IN COMMERCE 1-31-1996.

GENE MACIOL, EXAMINING ATTORNEY



ESTTA Tracking number: **ESTTA289872**

Filing date: **06/15/2009**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91150278
Party	Defendant Franklin Loufrani
Correspondence Address	STEVEN L. BARON MANDELL MENKES LLC 333 WEST WACKER DRIVE, SUITE 300 CHICAGO, IL 60606 UNITED STATES sbaron@mandellmenkes.com
Submission	Other Motions/Papers
Filer's Name	Steven L. Baron
Filer's e-mail	sbaron@mandellmenkes.com, nharris@mandellmenkes.com, llavine@mandellmenkes.com
Signature	/Steven L. Baron/
Date	06/15/2009
Attachments	Loufrani Notice of Appeal.pdf ( 3 pages )(68858 bytes ) Loufrani v. wal-Mart filed complaint.pdf ( 11 pages )(57181 bytes ) Loufrani v. Wal-Mart filed complaint Ex. A.pdf ( 32 pages )(1032532 bytes ) Loufrani v. Wal-mart filed complaint Ex. B.pdf ( 19 pages )(708715 bytes )

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

WAL-MART STORES, INC.	)	
	)	
Opposer.	)	OPPOSITION NO. 91/150,278
	)	OPPOSITION NO. 91/154,632
v.	)	
	)	
FRANKLIN LOUFRANI	)	Trademark:
	)	SMILEY & Design Serial No. 75/302,439
Applicant.	)	SMILEY & Design Serial No. 75/977,376
	)	
FRANKLIN LOUFRANI	)	
	)	
Opposer.	)	OPPOSITION NO. 91/152,145
	)	
v.	)	
	)	Trademark:
WAL-MART STORES, INC.	)	Smiley Design Serial No. 76/320,901
	)	
Applicant.	)	

To: Trademark Trial and Appeal Board  
P.O. Box 1451  
Alexandria, VA 22313-1451

Office of the General Counsel  
United States Patent and Trademark Office  
P.O. Box 15667  
Arlington, VA 22215

NOTICE OF APPEAL BY CIVIL ACTION

In the matter of Application Serial No. 75/302,439 for registration of the mark SMILEY and



Design Mark in international classes 16, 25, 28, 29, 30, 41 and 42 by Franklin Loufrani; Application Serial No. 75/977,376 for registration of the SMILEY & Design Mark



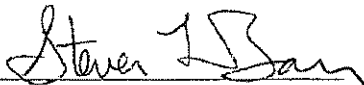
in international classes 3, 5, 8, 9, 14, 18, 21, 24, 31, 32, 33, 34, 35, 36, 38 and 39 by Franklin Loufrani; and Application Serial No. 76/320,901 for registration of the Happy Face Design



Mark in international class 35 by Wal-Mart Stores, Inc.; and in such Oppositions (Opposition No. 91150278, Opposition No. 91154632 and Opposition No. 91152145) the Trademark Trial and Appeal Board issued a final decision on March 20, 2009, Franklin Loufrani hereby notifies the Board pursuant to 37 C.F.R. § 2.145(c)(4) that Franklin Loufrani has appealed the March 20, 2009 decision by civil action pursuant to 15 U.S.C. § 1071(b), in the matter captioned *Franklin Loufrani and The Smiley Company SPRL v. Wal-Mart Stores, Inc.*, case number 09 CV 3062, filed May 20, 2009 in the United States District Court for the Northern District of Illinois. A copy of the filing is attached hereto as Exhibit A.

Respectfully submitted,

Dated: June 15, 2009

By: 

Steven L. Baron  
Natalie A. Harris  
Lindsay H. LaVine  
MANDELL MENKES LLC  
333 West Wacker Drive, Suite 300  
Chicago, Illinois 60606  
(312) 251-1000 (phone)  
(312) 251-1010 (fax)

Attorneys for Franklin Loufrani

**CERTIFICATE OF SERVICE**

The undersigned, an attorney, hereby certifies that I caused this *Notice of Appeal by Civil Action* to be served on:

Trademark Trial and Appeal Board  
P.O. Box 1451  
Alexandria, VA 22313-1451

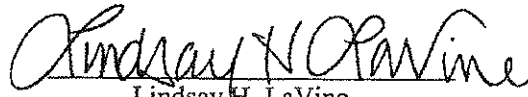
Office of the General Counsel  
United States Patent and Trademark  
Office  
P.O. Box 15667  
Arlington, VA 22215

via certified mail, return receipt requested, and

Robert E. Shapiro  
Wendi E. Sloane  
Rebecca D. Ray  
Barack Ferrazzano Kirschbaum  
& Nagelberg LLP  
200 West Madison, Suite 3900  
Chicago, Illinois 60606

Gary J. Rinkerman  
Drinker Biddle & Reath LLP  
1500 K Street, N.W.  
Washington, D.C. 20005- 1209

via First Class Mail, postage prepaid and properly addressed and placed in the mail chute at 333 West Wacker Drive, Chicago, Illinois 60606 before the hour of 5:00 p.m. on June 15, 2009.

  
Lindsay H. LaVine

1. This is an action under Section 21(b)(1) of the Lanham Act, 15 U.S.C. § 1071(b)(1), seeking judicial review of a final decision of the Trademark Trial and Appeal Board (“TTAB”), an administrative agency of the United States Patent and Trademark Office (“USPTO”).
2. On March 20, 2009, a TTAB panel sustained Wal-Mart’s trademark oppositions, based on Wal-Mart’s federal trademark application serial no. 76/320,901 for its design mark (“Wal-Mart Mark”), against registration of Plaintiffs’ federal trademark applications for the

SMILEY and design mark ("SMILEY and Design Mark") for various goods and services.<sup>1</sup> In sustaining Wal-Mart's opposition, the TTAB found that Plaintiffs' SMILEY and Design Mark was descriptive, not inherently distinctive. In addition, the TTAB found that a likelihood of confusion exists between Plaintiffs' SMILEY and Design Mark and the Wal-Mart Mark. The TTAB also dismissed Plaintiffs' opposition against registration of the Wal-Mart Mark. Notwithstanding the ubiquitous use of the happy face for decades before Wal-Mart's claimed first use, the TTAB found that Wal-Mart had acquired distinctiveness in a little more than eighteen months.

3. The TTAB's March 20, 2009 decision was erroneous and not supported either by the law or the evidence in this matter. Accordingly, by this action, Plaintiffs seek an order from this Court (a) finding that SMILEY and Design Mark is distinctive and that the SMILEY word element is not the legal equivalent or descriptive of the happy face design element of Plaintiffs' SMILEY and Design Mark (the "Happy Face Design"); (b) reversing and vacating the portion of the TTAB's March 20, 2009 order finding a likelihood of confusion between Wal-Mart's Mark and Plaintiffs' SMILEY and Design Mark; (c) directing the USPTO to issue a Notice of Allowance for Plaintiffs' application serial numbers 75/302,439 and 75/977,376 for the SMILEY and Design Marks; and (d) reversing and vacating the portion of the TTAB's decision that found

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<sup>1</sup> The Wal-Mart Mark (including the color yellow):



, and Plaintiff's SMILEY and Design Mark (without



SMILEY

reference to a specific color):

that Wal-Mart had acquired distinctiveness in the Wal-Mart Mark before Mr. Loufrani filed his applications for the SMILEY and Design Mark and granting Plaintiff's opposition.

#### **THE PARTIES**

4. Franklin Loufrani is a citizen of France. In the early 1970s Mr. Loufrani created the Happy Face Design and established the original Smiley World company to sell and license the Happy Face Design and related marks in the United Kingdom and Europe. Mr. Loufrani and Smiley Co. now own Happy Face Design and related trademark registrations in approximately 85 countries worldwide.

5. The Smiley Company SPRL is a foreign limited liability company, with its principal place of business in Brussels, Belgium. During the pendency of the subject TTAB opposition proceedings, Mr. Loufrani assigned his rights to the SMILEY and Design Marks to Smiley Co.

6. Upon information and belief, Defendant is a Delaware corporation with its principal place of business in Bentonville, Arkansas.

#### **JURISDICTION AND VENUE**

7. This is an action arising under Section 21(b)(1) of the Lanham Act, 15 U.S.C. § 1071(b)(1), seeking judicial review of a final decision of the TTAB.

8. This Court has subject matter jurisdiction in this matter pursuant to Sections 21(b)(1) and 39(a) of the Lanham Act, 15 U.S.C. §§ 1071(b)(1) and 1121(a). These sections provide that an applicant for registration of a mark may have remedy by a civil action, and a court may adjudge that the applicant is entitled to a registration upon the application involved or may order such other relief as the issues in the proceeding require. Further, U.S. district courts

shall have original jurisdiction of such actions, without regard to the amount in controversy or to diversity of citizenship of the parties.

9. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b) and (c) in that Wal-Mart resides in this district by virtue of being subject to personal jurisdiction in the district based upon its conduct of business through its retail and online stores here.

#### **PROCEDURAL BACKGROUND**

10. On June 3, 1997, Mr. Loufrani filed federal trademark application serial no. 75/302439 ('439) on an intent-to-use basis under Section 1(b) to register the SMILEY and Design Mark for a variety of goods and services. That same month, Mr. Loufrani introduced a SMILEY and design mark (similar to the applied for mark) at a trade show in the United States, and the mark has appeared on clothing, stationary, mugs, bags and plush toys.

11. On March 26, 1998, Plaintiffs' application '439 was divided into two applications, application serial number 75/302439 ('439) for goods and services in international classes 16, 25, 28, 29, 30, 41 and 42 and application serial number 75/977376 ('376) for goods and services in international classes 3, 5, 8, 9, 14, 18, 21, 24, 31, 32, 33, 34, 35, 36, 38, and 39.

12. On May 22, 2001, Mr. Loufrani's application '376 was published for opposition.

13. On September 17, 2001, Wal-Mart filed an opposition to the registration of Mr. Loufrani's application '376, claiming a likelihood of confusion between Mr. Loufrani's SMILEY and Design Mark and Wal-mart's Mark. That opposition proceeding was assigned Opposition No. 91150278 ('278).

14. On October 3, 2001, Wal-Mart filed federal trademark application serial number 76/320901 ('901) for Wal-Mart's Mark in class 35 for "retail department store services."

15. On May 22, 2002, Mr. Loufrani filed an opposition to registration of Wal-Mart's application '901, claiming, among other things, that Plaintiffs had priority, and that the Wal-Mart Mark was in the public domain, could not function as a mark and was substantially similar to the Happy Face Design element of Plaintiffs' SMILEY and Design Mark. The opposition proceeding was assigned Opposition No. 91152145 ('145).

16. On December 10, 2002, Mr. Loufrani's application '439 was published for opposition.

17. On January 6, 2003, Wal-Mart filed an opposition to the registration of Mr. Loufrani's application '439, claiming that the Plaintiffs' SMILEY and Design Mark was confusingly similar to the Wal-Mart Mark; that the Happy Face Design element of Plaintiffs' SMILEY and Design Mark was a ubiquitous icon, and that to the extent the Happy Face Design was capable of serving a trademark function, any such rights belonged to Wal-Mart. The opposition proceeding was assigned Opposition No. 91154632 ('632).

18. On or about January 9, 2003 and August 1, 2003, the TTAB consolidated Opposition nos. '278, '145 and '632.

19. In connection with the consolidated opposition proceedings, the parties engaged in discovery.

20. Following the exchange of discovery and trial testimony, the parties submitted trial briefs, and oral argument was held before a three-person panel of TTAB Administrative Trademark Judges on January 14, 2009.

21. On March 20, 2009, the TTAB panel issued a decision (1) finding that Plaintiff's SMILEY and Design Mark is descriptive, and not inherently distinctive in that the word element SMILEY is descriptive of the Happy Face Design element of the mark; (2) finding a likelihood

of confusion between Plaintiffs' SMILEY and Design Mark and Wal-Mart's Mark; (3) sustaining Wal-Mart's Oppositions to registration of Plaintiffs' applications '439 and '376 for the SMILEY and Design Mark; and (4) dismissing Plaintiffs' Opposition to registration of Wal-Mart's application '901 for the Wal-Mart Mark. A copy of the March 20, 2009 order (the "Order") is attached as Ex. A.

22. Plaintiffs appeal the four holdings set forth in the Order, namely (1) the TTAB's finding that Plaintiff's SMILEY and Design Mark is descriptive, and not inherently distinctive in that the word element SMILEY is descriptive of the Happy Face Design element of the mark; (2) the TTAB's finding of a likelihood of confusion between Plaintiffs' SMILEY and Design Mark and Wal-Mart's Mark; (3) the decision sustaining Wal-Mart's Oppositions to registration of Plaintiffs' applications '439 and '376 for the SMILEY and Design Mark; and (4) the TTAB's finding that Wal-Mart acquired distinctiveness in the Wal-Mart Mark in little more than eighteen months and therefore denying Mr. Loufrani's opposition. ("Appealed Holdings.")

23. Plaintiffs are dissatisfied with the erroneous TTAB Appealed Holdings, and therefore, seek *de novo* review of the TTAB decision pursuant to Section 21 of the Lanham Act, 15 U.S.C. § 1071.

#### **FACTUAL BACKGROUND**

##### **Loufrani Creates Happy Face Design in 1970's**

24. In the early 1970s Mr. Loufrani created the Happy Face Design and established the original Smiley World company to sell and license the Happy Face Design in the United Kingdom and Europe. Mr. Loufrani and Smiley Co. now own SMILEY and Happy Face Design trademark registrations in approximately 85 countries worldwide.

25. Plaintiffs own many federal United States Trademark registrations for a number of SMILEY and SMILEY-related marks, including: Reg. Nos. 3298278, 2801529, 3577839, 3102995, 3016430, 2970055, 2701516, 2566529 and 2747618. A copy of Plaintiffs' SMILEY and SMILEY-related registered United States marks from the Trademark Electronic Search System database are attached hereto as Ex. B.

26. Through their extensive licensing of their SMILEY and related Happy Face Design Marks to manufacturers of a wide variety of goods throughout the world, Plaintiffs have developed a valuable brand. They have promoted their licensing business in the United States through, among other channels, participation in major licensing shows since at least as early as 1997.

**Wal-Mart's Use of Happy Face Design**

27. Upon information and belief, Wal-Mart is a national retailer selling thousands of branded goods through more than 4,100 United States retail facilities and online stores.

28. Upon information and belief, Wal-Mart operates 90 Supercenters, 57 discount stores, and 29 Sam's Club stores in the state of Illinois.

29. Upon information and belief, Wal-Mart first used the Wal-Mart Mark in connection with its retail store services on January 26, 1996.

30. Wal-Mart sells thousands of different products under national brands, including plush toys; stickers; cards; wrapping paper and gift bags; sports equipment; sportswear, namely shirts, pants, hats, dresses and shorts; undergarments; sewing patterns; perfumes; bath and body products; hair care products; toiletries; sun care products; skin creams; skin lotions; bath gels; bubble baths; color cosmetics; skin treatment products; keychains; toy sets; posters; magnets; bathtub toys; and clocks.

31. Plaintiffs have licensed their SMILEY and SMILEY-related marks in connection with many of the same goods in the United States, including, but not limited to, plush toys, stickers, cards, wrapping paper, gift bags, fabric, undergarments, hats, sewing patterns, perfumes, sports helmet and pads, key chains, toy sets, posters, magnets, bathtub toys, and clocks. In fact, upon information and belief, Plaintiffs have licensed their SMILEY and SMILEY-related marks for use on goods sold directly through Wal-Mart retail stores dating back to the late 1980's or early 1990's.

32. Plaintiffs' SMILEY and SMILEY-related marks are readily distinguishable from Wal-Mart's Mark, as evidenced by the fact that the marks have co-existed for years, on the same shelves, without any actual confusion.

33. There is no likelihood of confusion between Plaintiffs' marks and the Wal-Mart Mark.

#### **REQUEST FOR REVERSAL OF TTAB DECISION**

34. Plaintiffs allege and incorporate by reference Paragraphs 1 through 33.

35. Plaintiffs disagree with the TTAB's conclusion that Plaintiffs' SMILEY and Design Mark is descriptive of the Happy Face Design element, and Plaintiffs believe the evidence presented by both parties weighs in favor of distinctive rather than descriptive meaning.

36. Plaintiffs also disagree with the TTAB's conclusion that there is a likelihood of confusion between the Wal-Mart Mark and Plaintiffs' SMILEY and Design Mark, and Plaintiffs assert that this finding was legally erroneous and contrary to the weight of the evidence.

37. The TTAB only considered two of the thirteen salient factors in the test articulated in the seminal case *In re E.I DuPont de Nemours & Co.*, 476 F.2d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973).

38. To date, Plaintiffs are not aware of any confusion between the parties' marks. In fact, upon information and belief, Wal-Mart sold goods in its stores bearing Plaintiffs' SMILEY and SMILEY-related marks without any objection by Wal-Mart or instances of confusion by consumers.

39. Furthermore, by virtue of its ruling, the TTAB erroneously extended Wal-Mart's rights in the Wal-Mart Mark well beyond "retail department store services," by granting Wal-Mart the right to restrict others from using the same or similar marks on goods or products sold at Wal-Mart stores in connection with those services. In effect, the TTAB has granted Wal-Mart a *de facto* monopoly on the exclusive right to use the Wal-Mart Mark, not only for retail store services but on all of the thousands of goods and services sold at its stores.

40. The Appealed Holdings from the TTAB decision of March 20 should be reversed and vacated, and an order should be entered directing the USPTO to: a) issue a Notice of Allowance for Plaintiffs' SMILEY and Design Marks, so that Plaintiffs can file Statements of Use and their marks can proceed to registration on the Principal Register; and vacate the TTAB's finding that Wal-Mart acquired distinctiveness in the Wal-Mart Mark and reverse the Board's denial of Mr. Loufrani's opposition.

#### CONCLUSION

41. In finding that Plaintiffs' SMILEY and Design Mark was descriptive and not inherently distinctive, the TTAB failed to consider fully and properly the evidence presented during the proceeding, or to follow the Lanham Act, the United States Code, and precedential decisions. In finding a likelihood of confusion exists between Wal-Mart's Mark and Plaintiffs' SMILEY and Design Mark, the TTAB failed to fully and properly consider the evidence

presented during the proceeding, or to follow the Lanham Act, the United States Code, and precedential decisions. In support of registration and appeal by civil action, Plaintiffs wish to present to this Court additional evidence that supports the conclusion that there is no likelihood of confusion in this case.

42. In finding that the Wal-Mart Mark had acquired distinctiveness in little more than eighteen months, the TTAB failed to consider fully and properly the evidence presented during the proceeding, or to follow the Lanham Act, the United States Code, and precedential decisions. In support of their opposition and appeal by civil action, Plaintiffs wish to present to this Court additional evidence that supports the conclusion that Wal-Mart had not acquired distinctiveness in the Wal-Mart Mark prior to the time of Mr. Loufrani's trademark applications.

#### **PRAYER FOR RELIEF**

WHEREFORE, Franklin Loufrani and The Smiley Company SPRL pray for a judgment against Wal-Mart Stores, Inc. as follows:

- A. That the Court reverse and vacate the March 20, 2009 decision of the TTAB in the matter of *Wal-Mart Stores, Inc. v. Franklin Loufrani*, Opposition Nos. 91150278, 91154632 and 91152145 referenced herein, pursuant to 15 U.S.C. § 1071(b);
- B. That the Court direct the Director of Trademarks and the United States Patent and Trademark Office to issue a Notice of Allowance for Serial Nos. 75302439 and 75977376 for the SMILEY and design marks, pursuant to 15 U.S.C. § 1071(b);
- C. That the Court reverse and vacate the March 20, 2009 decision of the TTAB in the matter of *Franklin Loufrani v. Wal-Mart Stores, Inc.*, Opposition No. 91152145 and sustain the opposition; and

D. That the Court provide such other relief as it finds appropriate.

Respectfully submitted,

Dated: May 20, 2009

By: /s/ Steven L. Baron

Steven L. Baron (#6200868)

Natalie A. Harris (#6272361)

Lindsay H. LaVine (#6291725)

MANDELL MENKES LLC

333 West Wacker Drive, Suite 300

Chicago, Illinois 60606

(312) 251-1000 (phone)

(312) 251-1010 (fax)

*Counsel for Plaintiffs*

JUDGE KENDALL

MAGISTRATE JUDGE BROWN

BR

# EXHIBIT A

THIS OPINION IS NOT A  
PRECEDENT OF THE TTAB

Hearing:  
14 January 2009

Mailed:  
20 March 2009

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Wal-Mart Stores, Inc.  
v.  
Franklin Loufrani<sup>1</sup>.

Opposition Nos. 91150278 and 91154632

Franklin Loufrani  
v.  
Wal-Mart Stores, Inc.

Opposition No. 91152145

Gary J. Rinkerman of Baker & Hostetler LLP for Wal-Mart  
Stores, Inc.

Steven L. Baron of Mandell Menkes LLC for Franklin Loufrani.

Before Drost, Mermelstein, and Bergsman, Administrative  
Trademark Judges.

Opinion by Drost, Administrative Trademark Judge:

<sup>1</sup> We note that on December 18, 2008, the Office recorded an assignment, inter alia, of the Loufrani intent-to-use applications (Nos. 75302439 and 75977376) from Franklin Loufrani to The Smiley Company SPRL, a Belgian company. See Reel/Frame No. 3905/0869. The assignment was dated June 22, 2008. Whether this assignment complied with the requirements of 15 U.S.C. § 1060(a) was not developed, and it is not before us.

Opposition Nos. 91150278 and 91154632  
Opposition No. 91152145

On June 3, 1997, Franklin Loufrani (Loufrani or applicant<sup>2</sup>) filed an application to register the mark shown below in numerous international classes:



On March 26, 1998, applicant requested to divide the application. As a result, Serial No. 75302439 (the original application) contains goods and services in classes 16, 25, 28, 29, 30, 41, and 42. Serial No. 75977376 contains goods and services in Classes 3, 5, 8, 9, 14, 18, 21, 24, 31, 32, 33, 34, 35, 36, 38, and 39. Both applications are based on applicant's allegation of a bona fide intent to use the marks in commerce.<sup>3</sup> The two applications contain hundreds of goods and services. A sample follows: cosmetics for animals, emery boards, feminine hygiene cleansing towelettes, solutions for contact lenses, hunting arms and swords, sugar tongs, electric devices for attracting and

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<sup>2</sup> We will refer to Mr. Loufrani as applicant even though he is the opposer in the 91152145 opposition.

<sup>3</sup> With its brief in the oppositions in which it is a plaintiff, Wal-Mart raised an unpleaded ground that the applications were void ab initio because Loufrani lacks a bona fide intent to use the mark in commerce. On June 21, 2007, the board held that it would not consider Wal-Mart's belated attempt to raise the issue of applicant's lack of bona fide intent to use the mark in commerce.

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killing insects, meteorological balloons, diving suits, electric egg timers, cuff links, urns of precious metal, newspapers, chalkboards for school and home use, cat coats, tea balls not made of precious metals, gloves for gardening, cloth flags, mosquito nets, edible chews for animals, syrups for making soft drinks, cherry brandy, outdoor advertising by means of electronic billboard advertising, art appraisals, communication by telegram, and transportation by ferry, boat, rail, land, and air.

In both applications, applicant disclaims the "right to use the representation of a smiling face<sup>4</sup> apart from the mark as shown." The applications were published on different dates, No. 75977376 on May 22, 2001, and No. 75302439 on December 10, 2002.

On September 17, 2001, Wal-Mart Stores, Inc. (Wal-Mart or opposer<sup>5</sup>), filed an opposition to the registration of applicant's 75977376 application for the mark SMILEY and design. In its notice of opposition (No. 91150278, p. 2), opposer alleges that:

Applicant's proposed mark is incapable of distinguishing the goods of the Applicant from the goods of others and, therefore, cannot function as a trademark and an indicator of source. The "smiley face" design is a ubiquitous icon, tracing its origin back to the early 1960's in the United States. At the

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<sup>4</sup> Applicant often refers to the design as a "happy face," while opposer prefers "smiley design." We will refer to it as a "smiling face" design.

<sup>5</sup> We will refer to Wal-Mart as opposer even though it is also the applicant in the 91152145 opposition.

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very least, Applicant should be required to demonstrate that Applicant's mark has become distinctive....

Opposer further maintains that to the extent that the "smiley face" design is capable of functioning as a trademark, the rights to the same belong to opposer. Opposer first began use of the design it refers to as "Mr. Smiley" at least as early as January 26, 1996, and has continuously used the design in commerce and in interstate commerce since that date....

If the Board were to determine that Applicant's proposed mark is capable of functioning as a trademark and/or has become distinctive, then Opposer submits that there would be a likelihood of confusion between Opposer's mark and Applicant's mark.

In his answer (p. 2), applicant generally denied the salient allegations of the notice of opposition although he did admit "that the 'happy face' design is, in the United States, a non-distinctive designation and, in fact, the 'happy face' design element in Applicant's application has been disclaimed apart from the mark as a whole."

Shortly after Wal-Mart filed the 91150278 opposition, it also filed a trademark application (Serial No. 76320901) on October 3, 2001, to register the mark shown below on the Principal Register for "retail department store services" in Class 35:



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The mark is described as "a yellow circle with two eyes and a smiling shaped mouth. Color is integral to the mark."

After the mark was published for opposition, Loufrani filed a notice of opposition on May 22, 2002. In its notice (p. 3), Loufrani alleges that Wal-Mart's design "does not serve any trademark function." Loufrani also alleged that it "offers or may offer many of the same products and services listed" in Wal-Mart's application and that, if Wal-Mart's mark is allowed to register, Wal-Mart "will be able to rely on its registered rights in challenging or contesting opposer's use or registration of a Happy Face Design." *Id.*

On January 6, 2003, Wal-Mart filed a notice of opposition (No. 91154632) to the registration of Loufrani's 75302439 application for his other SMILEY and design mark. This notice and Loufrani's answer was similar to the papers in the 91150278 opposition.

On January 9, 2003, and August 1, 2003, the board ordered that Opposition Nos. 91150278, 91154632, and 91152145 be consolidated.

#### The Record

The record consists of the following items: the file of the involved applications; the testimony deposition of opposer's senior media director, Troy David Steiner, with accompanying exhibits; the testimony deposition of Gary F.

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(Rusty) Scholtes, an officer of opposer's outside advertising agency, with accompanying exhibits; the testimony and rebuttal depositions of Michael Rappeport, opposer's trademark survey expert, with accompanying exhibits; the testimony deposition of Megha Desai, a summer intern of counsel for applicant's firm, with accompanying exhibits; and applicant's and opposer's notices of reliance.

Issues

We set out below the issues that remain in this proceeding.

1. Loufrani's mark is not registrable because it lacks distinctiveness.

Wal-Mart argues as plaintiff (91150278 Brief at 3) that:

Applicant's Smiley Applications should be refused registration on the ground that they lack distinctiveness because:

1. Applicant disclaimed the smiley symbol in Applicant's Smiley Applications;
2. The word "smiley," especially as juxtaposed with the smiley symbol, is the legal equivalent of the smiley symbol; and
3. A trademark comprised of the smiley symbol (which has been disclaimed as a ubiquitous icon in common use) combined with the word "smiley" does not make Applicant's Smiley Applications inherently distinctive in their entirety.

2. Loufrani's mark is likely to cause confusion with opposer's mark.

Opposer also argues that there is a likelihood of confusion between its mark and applicant's mark because the

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marks are virtually identical and the goods and services are related.

3. Wal-Mart's mark is not registrable because it is a "ubiquitous icon."

Loufrani argues as plaintiff (91152145 Brief at 3) that Wal-Mart's design "is a unique example of a ubiquitous icon which should not be usurped for private trademark use because: (1) Not all symbols and advertising slogans function as marks; and (2) The evidence shows that Wal-Mart's Happy Face Design is an unregistrable ubiquitous icon."<sup>6</sup> While at first blush, it may appear that Loufrani is taking an inconsistent position with respect to the distinctiveness of the smiling face design, we note that Loufrani has disclaimed the exclusive right to use the smiling face design and asserts that its mark is registrable because of his addition of the word "Smiley."

#### Standing

Before we can begin our discussion on the merits, it is necessary to address some preliminary matters. We start by noting that an opposer must have standing to bring an opposition proceeding. An opposer must have "a 'real

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<sup>6</sup> Loufrani argues that letters of protest and the examining attorney's Office action are the law of the case. This is not correct. See *In re Urbano*, 51 USPQ2d 1776, 1778 n.5 (TTAB 1999) (Letters of protest) and *McDonald's Corp. v. McClain*, 37 USPQ2d 1274, 1277 (TTAB 1995) ("Applicant's argument that the Board is somehow required to adopt the Examining Attorney's conclusion that applicant is entitled to registration is also not well taken").

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interest' in the outcome of a proceeding in order to have standing." *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1025 (Fed. Cir. 1999). "To establish a reasonable basis for a belief that one is damaged by the registration sought to be cancelled, a petition may assert a likelihood of confusion which is not wholly without merit." *Lipton Industries v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982).<sup>7</sup> The evidence shows that both Wal-Mart and Loufrani have a real interest in these proceedings.

#### Priority

Inasmuch as Wal-Mart claims that there is a likelihood of confusion, we address the question of priority. Wal-Mart, "as plaintiff in the opposition proceeding, bears the burden of proving, by a preponderance of the evidence, its asserted grounds of ... priority and likelihood of confusion ..." *Genesco Inc. v. Martz*, 66 USPQ2d 1260, 1267 (TTAB 2003). Because it did not plead ownership of a trademark registration, Wal-Mart must show use of the mark prior to Loufrani's priority date.

Loufrani's application was filed on June 3, 1997. He can rely on this date as his constructive use date. *Zirco Corp. v. American Telephone and Telegraph Co.*, 21 USPQ2d

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<sup>7</sup> Because of the linguistic and functional similarities of the opposition and cancellation provisions of the Lanham Act, "we construe the requirements of those two sections of the Lanham Act consistently." *Ritchie*, 50 USPQ2d at 1025 n. 2.

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1542, 1544 (TTAB 1992) ("If an intent-to-use applicant were not allowed to rely upon the constructive use date prior to actual use and registration of its mark, it would be rendered defenseless in any opposition against the registration of its mark based on likelihood of confusion. Constructive use would only function as a sword in affirmative actions by an intent-to-use applicant and only after the registration of its mark, never as a shield in actions against that applicant prior to the registration of its mark"). See also *Larami Corp. v. Talk To Me Programs Inc.*, 36 USPQ2d 1840, 1846 (TTAB 1995) ("Thus, a mark may be registered -- and receive the benefits of constructive use under Section 7(c) -- even if the claim of acquired distinctiveness was made after the filing date of the application and even if the use on which the claim of distinctiveness was predicated was made mostly after the filing date of the application"). Inasmuch as he has not submitted any evidence of an earlier date of use, Loufrani's priority date is June 3, 1997.<sup>8</sup>

In order to meet the first of its burdens of proof, Wal-Mart must be able to show that it has used its mark prior to Loufrani's June 3, 1997, priority date. In

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<sup>8</sup> To the extent that an applicant's mark is a merely descriptive mark without acquired distinctiveness, priority would not be an issue because its mark would not be entitled to registration on the Principal Register.

**UNITED STATES DISTRICT COURT  
FOR THE Northern District of Illinois – CM/ECF LIVE, Ver 4.0.3  
Eastern Division**

Franklin Loufrani, et al.

Plaintiff,

v.

Case No.: 1:09-cv-03062

Honorable Virginia M. Kendall

Wal-Mart Stores Inc.

Defendant.

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**NOTIFICATION OF DOCKET ENTRY**

This docket entry was made by the Clerk on Wednesday, April 14, 2010:

MINUTE entry before Honorable Virginia M. Kendall: Defendant's motion for extension of time to complete discovery [42] is granted; All fact discovery shall be completed by 6/15/2010. The parties shall comply with FRCP(26)(a)(2) by 6/30/10. Expert depositions shall be completed by 7/30/2010. Rebuttal expert disclosures pursuant to FRCP(26)(a)(2) shall be completed by 8/15/2010. All discovery, including rebuttal experts, shall be completed by 8/31/2010. Dispositive motions with supporting memoranda are to be filed by 9/30/2010. Responses are to be filed by 10/28/2010. Replies are due by 11/12/2010. Court will rule by mail. Status hearing set for 6/22/2010 at 09:00 AM for a report on whether the parties wish to have a settlement conference. Mailed notice(jms, )

**ATTENTION:** This notice is being sent pursuant to Rule 77(d) of the Federal Rules of Civil Procedure or Rule 49(c) of the Federal Rules of Criminal Procedure. It was generated by CM/ECF, the automated docketing system used to maintain the civil and criminal dockets of this District. If a minute order or other document is enclosed, please refer to it for additional information.

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EXHIBIT

C

Bloomberg No. 5208